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## Foreword

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*This report, submitted pursuant to the Inspector General Act of 1978, as amended, summarizes the activities of the Office of Inspector General (OIG) for the 6-month reporting period that ended March 31, 1999.*

*This semiannual reporting period has been a very productive time for both the OIG and GSA. We continued to work closely with GSA management to find ways to increase the efficiency and effectiveness of the Agency's programs and to identify sound business management and operational improvements. In our most significant audits, we found that time delays in the year 2000 conversion for a vital computer system might lead to inadequate testing of the conversion efforts. We also reported that although significant improvements have been made in security upgrades at Federal facilities, GSA still does not have reliable management information for tracking and reporting on the installed and operational security equipment inventory. We pointed out the need to reevaluate current policy regarding the public's access to Federal buildings' blueprints after learning that design plans are often made available without any restrictive language to safeguard the plans. Lastly, we reported that data in the new information system designed to enhance the Agency's ability to manage vacant space in GSA's building inventory is not accurate. In each case, management has responded favorably to our reports and is taking steps to address the issues raised.*

*We continued to offer non-traditional audit services including advisory and consulting reviews and to assess Agency performance measures for the Government Performance and Results Act.*

*We identified over \$347 million in financial recommendations on how funds could be put to better use and in other program savings. Also, we made 139 referrals for criminal prosecution, civil litigation, and administrative action. Criminal cases originating from OIG referrals resulted in 6 successful prosecutions. Savings achieved from management decisions on audit financial recommendations, civil settlements, and investigative recoveries totaled over \$356 million.*

*I want to take this opportunity to thank the GSA Administrator, GSA's senior managers, and the Congress for their support. I also want to commend the accomplishments of all OIG employees for their continued professionalism, dedication, and willingness to accept new challenges.*

WILLIAM R. BARTON  
Inspector General  
April 30, 1999



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**This semiannual report may be accessed on the Internet at the following address: <http://www.gsa.gov/staff/ig/>**



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## ***Summary of OIG Performance***

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### ***OIG Accomplishments***

**October 1, 1998 - March 31, 1999**

Total financial recommendations \$347,482,649

These include:

- Recommendations that funds be put to better use \$342,565,274
- Questioned costs \$4,917,375

Audit reports issued 91

Referrals for criminal prosecution, civil litigation, and administrative action 139

### ***Results Attained***

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$356,817,636

Indictments and informations on criminal referrals 6

Cases accepted for criminal prosecution 13

Cases accepted for civil action 4

Successful criminal prosecutions 6

Civil settlements 4

Contractors debarred 3

Employee actions taken on administrative referrals involving GSA employees 8

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## Executive Summary

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During this period, we offered our traditional services, including program evaluations, contract and financial auditing, management control reviews, investigative coverage, and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. In addition, we provided professional assistance through enhanced consulting services designed to help management address potentially serious deficiencies or other concerns.

### Program/Operational Reviews

#### Y2K

The OIG continued its ongoing reviews of major programs and operations throughout GSA's various components. We focused on GSA's efforts to convert its National Electronic Accounting and Reporting system (NEAR) to be Y2K compliant. The NEAR system is GSA's backbone accounting and financial information system which provides all GSA components the management information needed to operate and to ensure fiscal responsibility. We determined that the Agency has experienced conversion delays that have resulted in compressed testing time frames. This increases the risk that NEAR may not be adequately tested and could experience problems in the year 2000. We also noted that GSA has not maintained test documentation nor used an independent source to review and validate the tests. Agency management is taking steps to address these issues (page 2).

#### Security of Federal buildings

We continued our efforts to review GSA's progress in improving the security of Federal buildings and to correct previously identified problems with the reporting of security equipment installations and the proper use of enhancement funding. We found that GSA has substantially enhanced the security at GSA-controlled facilities since our initial review. However, problems still remain with the accuracy of installation reporting. Consequently, management does not have the data necessary to properly administer its overall security enhancement program (page 3). In a related review, we learned that design plans for building construction and major renovation projects are too accessible to the general public. These plans frequently detail structure and interior space. We expressed concern that free access to these plans could create undue security risks to lives and property (page 4). Additionally, we conducted a review of security standards for siting and constructing new and renovated Federal buildings. We concluded that GSA is applying the enhanced security standards where possible. However, not enough time has elapsed for the standards to be applied to all phases of ongoing building projects (page 5).

During this reporting period, we conducted a review of the documentation used to substantiate the pricing of change orders associated with a new lease build-out in Washington, D.C. Our review disclosed that over a 3-year period, there were inconsistencies in documentation and

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## Executive Summary

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### Change orders on leased space improvements

justifications supporting over \$15 million in change orders. Overhead fees and lessor profits were substantially higher than those found in similar GSA lease agreements, and GSA had authorized the change orders without first establishing the source of funds. OIG recommended that GSA management re-emphasize the need for complete and accurate documentation of contract files, and that change orders should not be initiated until the source of funding is firmly established (page 6).

### Information systems; management controls

In other program reviews, we reported on a wide range of GSA's programs and operations. For example, we recommended that the Public Buildings Service information system data be updated to reflect accurate space usage (page 7), and reported that management controls need to be strengthened to ensure the reliability of building financial statements (page 8). Furthermore, our review of vacant space revealed that corrective measures must be taken to ensure the reliability of the information system (page 9).

### Customer satisfaction

Our review of customer satisfaction as it pertains to the use of reimbursable work authorizations found that customers are now more satisfied with services provided. However, there are needs to provide customers with timely billings, as well as a prompt recovery of funds owed to GSA (page 9). We reviewed regional general and administrative expense details and recommended that GSA management periodically provide data files to verify the accuracy and completeness of the income statement data (page 10). We reported that controls over negotiated lease procurements need to be strengthened (page 11), and that improvements were needed in documenting, collecting, depositing and reconciling of proceeds from personal property sales (page 12). In addition, we reported that customer agencies were unable to obtain information concerning alternative fuel use. We advised management that issues needed to be resolved before reliable alternative fuel purchase information could be obtained (page 13).

### Building income statements Negotiated leases

### Surplus property sales

### Alternative fuels usage

## Working with Government Performance and Results Act

In accordance with the Government Performance and Results Act of 1993 (GPRA), we performed reviews of selected GSA performance measures and have made preliminary risk assessments of the internal controls over data supporting these performance measures. This period, we reviewed the Interagency Fleet Management System (IFMS) and the overall design and operation of the internal control system over performance measures reported in the Fiscal Year (FY) 1998 Annual Report. We reported that IFMS' performance measures do not assess performance in terms of mission accomplishments, and are not sufficiently expressed in measurable results to be achieved to enable adequate evaluation. We also reported that, because there is no clear understanding of responsibilities for ensuring that performance

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## **Executive Summary**

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data are verified at the service levels and for GSA overall, the Agency's ability to collect, process, record, and summarize performance information and report performance measures in accordance with management's criteria could be adversely affected. We have also made our services available to Agency managers in other ways. We have benchmarked with other Federal agencies and the private sector to identify various best practices that GSA could use to improve its overall strategic and performance planning (page 15).

### **Procurement Integrity**

An important part of the OIG's work is to provide support to the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. Based on our audit and investigative work this period, the Government entered into two settlement agreements in which companies agreed to pay nearly \$5 million to resolve potential civil liability under the False Claims Act. These contractors provided construction equipment and road clearing and repair equipment. The settlements involved allegations that they had misrepresented their commercial discount practices in seeking and performing under GSA contracts in violation of the False Claims Act and other statutory and contractual provisions (page 19).

We also successfully completed a number of criminal investigations. These included an investigation that resulted in an individual pleading guilty to conspiracy and trafficking in stolen telephone access devices. It was determined that the individual sold stolen calling card numbers to persons in the United States and abroad, who then used the numbers to illegally obtain free long distance service (page 20). Other investigations resulted in convictions involving making false statements in connection with a GSA contract (page 20), impersonating Federal officials (page 21), and a double billing scheme on GSA contracts (page 21). Furthermore, we made recommendations to improve controls when using agency credit cards for customer service center procurements (page 22). A regional review of operations at a property management center recommended improvements in the preventive maintenance program (page 22).

### **Summary of Results**

The OIG made over \$347 million in financial recommendations to better use Government funds, and in other program costs savings; made 139 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 140 legislative and regulatory actions; and received 1,551 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$356 million. (See page v for a

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## *Executive Summary*

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summary of this period's performance.) Despite attaining significant financial results this period, we are extremely concerned about a new trend where disappointing contract negotiation results are occurring within the Multiple Award Schedule program. During this period savings realized have markedly declined from historical experience. The OIG is working closely with management to determine the causes and explore ways to improve contract pricing (page 24).



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## OIG Profile

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*The GSA OIG was established on October 1, 1978 as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's five components work together to perform the missions mandated by the Congress.*

### Organization

The OIG provides nationwide coverage of GSA programs and activities. It consists of:

- **The Office of Audits**, an evaluative unit staffed with auditors and analysts who provide comprehensive audit coverage of GSA operations through program performance reviews, internal controls assessments, and financial and mandated compliance audits. It also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office has added advisory and consulting services to its service offerings.
- **The Office of Investigations**, an investigative unit that manages a nationwide program to prevent and detect illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel to the Inspector General**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review functions.
- **The Internal Evaluation Staff**, an in-house staff that plans and directs field office appraisals and conducts internal affairs reviews and investigations.
- **The Office of Administration**, an in-house staff that provides information systems, budgetary, administrative, personnel, and communications services.

### Office Locations

The OIG is headquartered in Washington, D.C., at GSA's Central Office building. Field audit and investigations offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, and Washington, D.C. Sub-offices are also maintained in Auburn, Cleveland, and Los Angeles.

### Staffing and Budget

As of March 31, 1999, our on-board strength was 274 employees. The OIG's FY 1999 budget was approximately \$32 million.

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## Reviews of GSA Programs

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*GSA is a central management agency that sets Federal policy in such areas as Federal procurement, real property management, and telecommunications. GSA also manages diversified Government operations involving buildings management, supply facilities, real and personal property disposal and sales, data processing, and motor vehicle and travel management. Our audits examine the efficiency, effectiveness, and integrity of GSA programs and operations, and result in reports to management. Our internal audits program is designed to facilitate management's evaluation and improvement of control systems by identifying areas of vulnerability and providing informational and advisory services.*

### Significant OIG Accomplishments

*Conversion delays  
result in shortened  
testing time frames.*

### Year 2000 Conversion Efforts

We are continuing to review GSA's Year 2000 computer systems conversion efforts. In two prior audits, we reported that the Agency's initial planning for conversion was not adequate and conversion schedules had not been developed. During this 6-month reporting period, we focused on the Office of the Chief Financial Officer (CFO) efforts in converting mission-critical systems to effectively operate in the year 2000, with particular emphasis on the National Electronic Accounting and Reporting (NEAR) system. This system performs vital functions for the Agency such as controlling, recording, classifying, and summarizing financial transactions to meet Federal accounting requirements.

GSA had set an internal deadline for conversion of systems by January 31, 1999. In assessing the status of the NEAR system conversion, we found it difficult to quantify the CFO's progress because NEAR is a complex system, consisting of multiple software and hardware components that are in various stages of conversion, but is nevertheless reported as a single system. The CFO has experienced conversion delays that have resulted in compressed testing time frames. Initially, 5 months were allowed for testing; however, much of that time was consumed by delays. This increases the risk that the NEAR system may not be adequately tested and could experience problems in the year 2000.

We also noted that the CFO has not maintained test documentation and has not used an independent source to review and validate the tests. In addition, the CFO needs to determine that its data exchanges will operate correctly and that it develops business continuity and contingency plans to ensure that vital functions continue in the event that all NEAR system conversions are not completed on time.

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## Reviews of GSA Programs

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In our December 16, 1998 report, we recommended that the Chief Financial Officer:

- Develop measurement tools to monitor and evaluate the progress of remaining work.
- Review and analyze the adequacy of testing performed to date.
- Use an independent validation and verification organization to assess conversion and testing efforts.
- Ensure that all data exchanges will operate correctly.
- Complete development of a business continuity and contingency plan.

Management agreed with our recommendations. The report is still in the resolution process.

### ***Security Enhancements in Federal Buildings***

On April 19, 1995, a bomb destroyed the Alfred P. Murrah Federal Office Building in Oklahoma City. This terrorist act resulted in the death of 168 Federal employees and visitors, and significant injuries to hundreds of individuals. The next day, President Clinton directed the Department of Justice (DOJ) to assess the vulnerability of Federal office buildings in the United States, particularly to acts of terrorism and other forms of violence. The United States Marshals Service coordinated the study, based on its expertise in court security.

*Security improvements made but information system still needs attention.*

On June 28, 1995, DOJ issued the Vulnerability Assessment of Federal Facilities Report. DOJ's principal recommendation was that, where feasible, each Federal facility should be brought up to the appropriate minimum security standards. Depending on the security level and feasibility of installation, security upgrade countermeasures could include: x-ray screening of all mail and packages, closed circuit television, perimeter lighting, contract guards, and magnetometer or x-ray screening at public entrances. Over \$140 million was available to fund the capital costs of security equipment upgrades alone. GSA allocated the funds to its regions based on specific countermeasures requested by individual building security committees. GSA was also tasked with creating a physical security database covering all Federal office buildings. To accomplish this, GSA designed and implemented a nationwide automated tracking system called the Building Security Committee System. Regional offices were responsible for inputting information into the system and transferring it to headquarters, where the security information is maintained in a nationwide database.

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## ***Reviews of GSA Programs***

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In FY 1997, the OIG reviewed GSA's upgrading of security at Federal facilities and noted several items of significant concern that we felt warranted immediate reporting to management. Our reports described discrepancies in the database used for tracking and reporting the status of security upgrade countermeasures, such as equipment reported as installed but found to be either missing or non-operational, equipment installed but not recorded in the database, and countermeasure descriptions that did not sufficiently describe what was actually done. We also found countermeasures completed despite Central Office disapproval, security equipment in storage but with no plan for installation, and security enhancement funds used for non-security related purposes or not used efficiently.

This year, we agreed to perform a follow-up audit to assess how the corrective actions were proceeding. In the interim, we issued our final report on the security upgrade program. The Commissioner, Public Buildings Service, in response to our reported findings, directed that the regions certify to the accuracy of the database used to track security equipment upgrades by October 1998. Our follow-up effort started shortly thereafter.

We concluded that the security upgrade program has significantly enhanced the security at GSA-controlled facilities since our initial review. We did identify a few problems concerning the physical installation of equipment. Site inspections found some uninstalled or non-operational countermeasures that had been reported as completed. In addition, management information is still not reliable despite ongoing corrective measures. This has occurred because officials have not placed sufficient emphasis on the need for accuracy in the security countermeasure tracking system. Consequently, management still lacks accurate data critical to administering the security program and assessing regional accomplishments. We also noted instances where regional officials inappropriately used security enhancement funds.

Since the Agency is in the process of implementing the action plan pertaining to recommendations contained in the initial program report, our March 18, 1999 report to the Commissioner, Public Buildings Service did not include formal recommendations. However, we suggested that Federal Protective Service Central Office re-emphasize to regional officials the importance of GSA's security equipment inventory responsibility.

### ***Access to Building Design Plans***

GSA, as the primary landlord and property manager for the Government, is involved with the construction and major repair and alterations of many Federal facilities. Integral to such construction work is the development of design plans, frequently detailing the physical layout of the structure and interior space.

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## Reviews of GSA Programs

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*Easy access to public building plans may create undue risks.*

We initiated this review upon learning that Federal-building blueprints had been provided to a trust for a municipal revitalization project. The plans were released without any restrictive language regarding release to third parties or physical safeguarding of the plans. With further research, we learned that Federal building design plans are, in many cases, available to the general public through several sources. More disconcerting was the fact that some of these sources were considering including actual drawings on the Internet. Clearly, this would present a heightened exposure to physical security risks.

During our audit, a number of questions surfaced which needed to be addressed:

- Should GSA provide Federal building design plans to outside parties without specific provisions for physically safeguarding the plans?
- Should recipients of the plans be required to agree to any non-disclosure requirements?
- To what extent are plans available to the public?

A number of factors and differing opinions by various agency groups exist with regard to the need to make design plans available to accomplish necessary work without materially increasing security risks.

We concluded that GSA needs to reevaluate current policy to determine when public access to plans is a security threat, and decide if policy changes should be made in light of the Agency's responsibility to safeguard property and lives in today's environment of more heightened security concerns.

In our December 1, 1998 report, we recommended that management assess and update existing policy for dissemination of design plans. Responsive management action plans were provided for implementing the report recommendations.

### ***Security Standards for New Buildings***

In October 1995, following the bombing of the Murrah Federal Building in Oklahoma City, President Clinton issued an Executive Order that created the Interagency Security Committee (Committee). Chaired by GSA's Administrator, the Committee was formed to establish policies for developing and evaluating security standards for Federal facilities, ensuring compliance with such standards, and overseeing the implementation of appropriate security measures in Federal facilities. GSA focused on developing enhanced security standards for planning, designing, and constructing new buildings, and for major renovation projects. GSA adopted a draft of the standards in January 1997. The Committee approved the enhanced standards, with minor modifications, in November 1998.

*Enhanced security standards are applied in construction phases of new buildings where possible.*

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## Reviews of GSA Programs

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We conducted a review of security standards for new and renovated Federal buildings. Our evaluation concluded that GSA is applying the enhanced security standards where possible; however, not enough time has elapsed for the standards to be applied to all phases of ongoing building projects. Since new construction projects take a number of years from the time the actual need for a building is identified to the actual construction, current projects were planned prior to the development of the standards. In addition, most projects currently underway are for border stations, which are unique buildings exempted from the new standards, and for courthouses. While courthouse construction would be subject to the standards, GSA and the Administrative Office of the Courts have agreed, in a memorandum of understanding, that new courthouses will follow prearranged protection levels which obviate the need for an individual threat assessment as prescribed by GSA's standards. Finally, GSA has not adopted assessment standards for properties under consideration for new leases of space.

In our March 24, 1999 report, we recommended that the Commissioner, Public Buildings Service:

- Develop a policy that defines the roles and responsibilities of individuals involved in implementing the enhanced security standards for new construction and major renovation projects.
- Create security standards for newly acquired leased space.

The Commissioner agreed with the recommendations in the report. The report is still in the resolution process.

### ***Costly Lease Space Alterations***

GSA entered into a lease for a significant amount of space to be occupied by the Federal Communications Commission (FCC) in a newly constructed building in Washington, D.C. known as Portals II. As the space was being customized to meet the needs of FCC, GSA issued a number of change orders valued at over \$15 million as of March 1998. The OIG initiated a review of these change orders to determine if there was adequate supporting file documentation to substantiate the basis for the reasonableness of the negotiated prices.

Our review disclosed that major change order files did not consistently identify contract records documenting the analysis, actions, and justifications leading to the change order awards. Overhead fees and profits added by the lessor to the base costs of the change orders were substantially higher than those in other GSA lease agreements, and may not be reasonable for the level of effort necessary to accomplish the task.

*The Federal Buildings Fund may pay for costly space alterations.*

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## Reviews of GSA Programs

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However, because these rates were established in the original lease contract it would be very difficult to renegotiate lower markup percentages. We made no recommendations on the markups, but did encourage the Agency to make every effort to contain costs.

Also, GSA had authorized above standard space improvements requested by FCC without first establishing the source of the funds. In a nearly 3-year period, GSA incurred costs for above standard improvements, architectural and engineering services, and interest in excess of \$15 million. These costs were funded through supplemental lease agreements, allowing GSA to amortize the incurred costs over the lease term, thus increasing total costs to over \$25 million. As a result, the monthly rental payment will increase by \$260,828. Congress has not approved FCC's request for funds that it considered necessary to prepare the building for occupancy, and GSA agreed to fund the agency's costs.

As a consequence, GSA will be required to fund the payments using the Federal Buildings Fund if FCC is unsuccessful in obtaining the appropriations necessary to cover the higher rent payments in the supplemental lease agreements. If this occurs, additional burdens will be placed on the already financially strapped Federal Buildings Fund.

Management indicated this lease was a unique transaction, and that funding tenant space improvements was legal and prudent under the circumstances. While this lease does not reflect typical transactions, we pointed out that regardless of the complexity of a project it is necessary to establish and document the source of the funds for above standard improvements prior to initiating the change orders. The report is still in the resolution phase.

### ***Inaccurate Warehouse Space Billing***

The Public Buildings Service (PBS) provides space to Federal agencies. PBS charges agencies rent, set at commercially comparable rates, in order to generate revenue and make agencies accountable for the resources they consume.

While reviewing PBS's information system data as part of an ongoing nationwide audit on vacant space, we noted that the GSA supply depot in Franconia, Virginia reportedly had significant vacant space. Over 578,000 square feet of space was categorized as vacant. Upon physical inspection of the site, we saw that the space was almost fully occupied, primarily by the GSA Federal Supply Service (FSS). Officials of both PBS and FSS acknowledged that the information system was incorrect and needed to be updated.

***Annual rent charges  
at warehouse  
understated by at  
least \$1 million.***

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## Reviews of GSA Programs

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The impact of this discrepancy is that the FSS is not being billed for all of its space at the depot, and the PBS is inappropriately subsidizing the depot program at the expense of the Federal Buildings Fund. Although there is disagreement over the exact amount of space occupied by FSS, we estimated that the rent charged is understated by at least \$1 million per year.

In our January 5, 1999 report to the Regional Administrator, we recommended that the Assistant Regional Administrator of the Public Buildings Service direct the region to determine the appropriate amount of rent to be recouped, pursue collection, and correct the data in the information system. A responsive management action plan was provided for implementing the report recommendation.

### ***Controls Over Direct Building Costs***

As GSA continues to redirect its efforts to operate in a more business-like manner, it has emphasized the importance of managing its real property asset portfolio by managing costs. Costs can be classified into two general categories, direct and indirect costs. Direct costs are specifically incurred for, or benefit, a particular final cost objective or operation. Conversely, indirect costs, often referred to as general and administrative expenses, benefit multiple cost objectives.

We reviewed direct building operating costs in one region to determine whether the controls over the recording and processing of those costs provide reasonable assurance that they are accurately reported on building income statements. Our results demonstrate a need to strengthen management controls to ensure the reliability of building financial statements. Over 85 percent of the sampled transactions were posted in the wrong fiscal year, to the wrong account, and/or to the wrong building, causing the direct costs, as presented on the buildings' financial statements, to be materially misstated.

Our March 31, 1999 report recommended that the Assistant Regional Administrator:

- Reaffirm the need for accurate building income statements.
- Ensure that complete supporting data is provided to the Office of Finance for building-related transactions.
- Clarify GSA's capitalization policies.
- Instruct regional personnel to periodically verify and reconcile building income statement data to supporting documentation.

*Need to improve  
reliability of regional  
building financial  
statements.*

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## Reviews of GSA Programs

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Management generally agreed with the report recommendations. The report is still in the resolution process.

### ***Controlling Vacant Space***

GSA acts as a clearinghouse for vacant space, allowing agencies to return unneeded space with short notice. The Agency can then try to backfill this space with another tenant, dispose of Government-owned property, or terminate leases. Vacant space has a significant impact on GSA's ability to maximize revenue. The potential revenue from vacant space was about \$544 million in FY 1998.

GSA has taken action to mitigate the impact of the vacant space by implementing new initiatives directed toward improving overall asset management. The Agency is installing a new information system that it believes will enhance its ability to manage the inventory. It has also implemented new performance measures and management controls to improve asset performance.

*A new information system holds promise but needs improvement.*

During our review of vacant space, we noted some issues that warrant management's attention. We pointed out that the accuracy of the data in the new information system should be improved. Information was transferred from the prior systems and much of that inaccurate data has yet to be corrected. Also, the data elements used in PBS's performance measure for non-revenue producing space needs clarification. Regional offices were not able to trace back to the supporting data used by the national office to evaluate this measure. Finally, the lines of authority over regional space inventory should be better defined. Revenue managers and asset managers depend on other groups to carry out their plans or meet revenue targets. We found confusion at the regional level as to the responsibilities and authorities of these managers, which, consequently, made it difficult for them to initiate change.

Once these issues are addressed, the Agency will be in a better position to minimize the impact of vacant space on the Federal Buildings Fund.

We issued our report to the Commissioner, Public Buildings Service, on March 18, 1999. Since PBS is actively pursuing the issues we discussed, our report did not contain formal recommendations. The Commissioner agreed and indicated that the region has started corrective action.

### ***Initiatives to Improve Space Alterations***

In November 1996, GSA introduced a series of initiatives aimed at improving the process by which it delivers space alteration services to customer agencies. The initiatives offered options on how to have alterations performed,

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## Reviews of GSA Programs

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*Customers are happier but feel billings should be more timely and accurate.*

provided flexibility in obtaining the goods and services necessary to accomplish alterations, and presented techniques to reduce the administrative burden while increasing performance. From July 1997 to March 1998, GSA initiated over 5,000 reimbursable work authorizations (RWAs) valued at less than \$100,000 each, but with a combined value of about \$64 million.

We performed a review and determined that the Agency did not have a reliable mechanism to measure customers' satisfaction with the RWA process. Therefore, we surveyed these customers to see how satisfied they were with the timeliness, quality, cost, and ease of doing business with GSA. We concluded that GSA has improved its focus on the customer and that customers are generally satisfied with the process. However, customers felt that billing was either untimely or inaccurate. Since anticipated management support systems have not evolved and program performance cannot be measured accurately, management may not be able to readily identify program successes or weaknesses.

In our March 24, 1999 report, we recommended that the Commissioner, Public Buildings Service:

- Re-evaluate the program performance measures and correct design deficiencies for those measures to be retained, or develop alternative performance measures.
- Define and standardize the core data requirements for effective program management and oversight.
- Provide customers with timely and accurate billings and ensure timely recovery of funds owed to GSA.

The Commissioner agreed with the recommendations in the report. The report is still in the resolution process.

### ***Building Income Statement Reliability***

Prudent business practice dictates that managers have the necessary tools to permit periodic analysis of identifiable expenditures supporting their financial statements, including general and administrative (G&A) expense details. It is particularly important for managers to analyze G&A expenses because, by definition, these costs are not directly related to producing a product or service. As such, G&A expenses may be harder for managers to control.

GSA recognizes the importance of having accurate financial data for business decisions. However, the Agency's accounting system does not have the capability to readily or easily provide a means for identifying the

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## Reviews of GSA Programs

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*Absence of financial details makes general and administrative balances unreliable.*

detail of transactions that comprise the regional G&A balances on the income statements for individual buildings. Therefore, GSA is unable to ensure the reliability of these balances.

The Agency's accounting system is being replaced with a new, integrated financial management system. One of its objectives is to provide easy, on-line access to the supporting detail of financial information. The new system should aid in identifying the transactional detail supporting G&A expenses, but will not be fully operational for several years.

During a recent audit, we identified a methodology by which detailed regional G&A transactions can be isolated and, therefore, analyzed for accuracy while the new financial management system is being implemented. By using two data source files from the accounting system, analysts can reconcile transactional details to the lump sum regional G&A total presented in the income statement.

Our February 8, 1999 report recommended that GSA management make available and accessible, on a periodic basis, the data source files to the personnel responsible for verifying the accuracy and completeness of the income statement data. This data can then be verified for accuracy and completeness.

Management agreed with the recommendations in the report. The audit is still in the resolution process.

### ***Negotiated Lease Procurements***

GSA management has embarked on an effort to redesign and streamline the leasing program with a greater emphasis toward meeting customer needs, along with improving the leasing process. However, some of the guidance available to leasing specialists has been suspended and specialists are encouraged to be more creative, attendant with associated risks. Lease specialists are nevertheless still required to comply with basic control elements to ensure that fair and reasonable rent rates are negotiated.

As part of a multi-regional management control review, we reported that, in one region, controls were weak because leasing personnel did not adequately document lease files, and control procedures had not been established to ensure that the required level of documentation was maintained. The region needs to provide, on a regular basis, justification for other than full and open competition. Non-competitive leases were being awarded beyond certain thresholds without the approval of the competition advocate as required by regulation.

*Inadequate management controls can expose lease procurements to possible criticisms.*

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## Reviews of GSA Programs

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The absence of required documentation exposes the Agency to undue risk in award disputes and potential legal actions. By not implementing basic controls to ensure that the leasing files support the actions taken to achieve open market competition, or clearly justify the approval to waive this requirement, regional leasing may be criticized for not fully protecting taxpayers' interests.

In our February 22, 1999 report to the Regional Administrator, we recommended that the Assistant Regional Administrator:

- Reiterate to his staff the basic documentation requirements established by regulations.
- Establish positive management control procedures for the purpose of ensuring that lease files contain documentation necessary to support the leasing action.

The Regional Administrator agreed with the recommendations in the report. The report is still in the resolution process.

### ***Sale of Surplus Personal Property***

GSA disposes surplus personal property for Federal agencies. Such items include vehicles, computer equipment, furniture, and a variety of other products. Sales can be conducted by sealed bid, spot bid, negotiation, fixed price sale, or auction. GSA's regional sales offices plan and conduct the sale, collect and deposit proceeds, and transfer title to purchasers. For its services, the Agency is usually reimbursed by either a fixed fee per item sold or a percentage of the sales proceeds. In FY 1998, sales exceeded \$250 million.

The OIG reviewed the management controls over the documenting, collecting, depositing, and reconciling of proceeds from personal property sales. We conducted our review in four separate regional sales offices and at the Central Office, and issued a nationwide and four regional reports.

We concluded that management controls were generally sufficient, although in a few instances improvements were needed to implement prescribed practices. Specifically, former Agency employees retained access to the sales automation system, ownership forms used to transfer title to a vehicle were poorly controlled, physical security within cash handling areas and during transport of bank deposits was lax, and separation of duties during sealed bid sales was not adequate.

*Although management controls were generally sufficient, improvements in physical security and cash handling activities are needed.*

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## ***Reviews of GSA Programs***

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In our March 12, 1999 program-wide report, we recommended that the Commissioner, Federal Supply Service:

- Re-evaluate the proceeds deposit threshold triggering the security escort requirements, and initiate a change in the regulations, as appropriate.
- Delete names of departing employees from the sales automation system at the time of departure; account for and properly secure ownership transfer forms; make deposits of cash amounts above specified dollar thresholds only with a security escort, and adequately secure cash handling areas; and separate duties among employees when transporting, opening, and examining sealed bids.

The Commissioner agreed with the recommendations in the report. The report is still in the resolution process.

Two of the four regional reports recommended that management improve its physical security control practices over cash handling activities and accountability over title transfer documents. The Assistant Regional Administrator in each region agreed with the report recommendations. These reports are still in the resolution process. The other two regional reports had no recommendations.

### ***Reporting Alternative Fuels Usage***

One of the provisions of the 1992 Energy Policy Act requires Federal agencies to make greater use of alternative fuel vehicles. Starting in FY 1996, an ever-increasing portion of vehicles acquired for use in metropolitan areas with populations of 250,000 or more had to use alternative fuels. For FY 1999 and beyond, at least 75 percent of new acquisitions must meet this standard. The law requires that, “to the extent practicable, agencies shall use alternative fuels in all vehicles capable of using them,” and annually report the agency’s compliance with the law. Customer agencies are looking to the Interagency Fleet Management System (IFMS) to supply alternative fuel usage information for vehicles leased from IFMS.

At the Agency’s request, we looked to see if the amount of alternative fuel consumed by the IFMS customer agencies can be determined from the electronic data available in the IFMS computer systems. We concluded that fuel consumption could not be identified in total or by customer agency.

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## *Reviews of GSA Programs*

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We advised management of three issues that will need to be resolved before reliable alternative fuel purchase information can be obtained:

- Credit card coding errors will need to be reduced to an acceptable level.
- Credit card information collected will need to be stored in a format that segregates customer agencies' alternative fuel purchases so it can be periodically compiled.
- The amount of alternative fuel purchased through cross service agreements and commercial invoices certified by Fleet Management Center personnel will need to be recorded in a manner that allows periodic summarization of customer agencies' purchases.

We provided suggestions for possible ways of addressing the issues. The March 24, 1999 report was advisory in nature and did not contain any formal recommendations.

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## *Working with the Government Performance and Results Act*

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*One of the most significant pieces of legislation passed to improve the effectiveness of Government programs is the Government Performance and Results Act of 1993 (GPRA). The focus of the Act is to hold public managers more accountable for achieving desired program outcomes. The Congress also envisions that the Offices of Inspector General will play a key role in fostering sound implementation of GPRA.*

GPRA requires each Federal agency to develop: (1) a strategic plan covering a period of not less than 5 years, (2) an annual performance plan consistent with the strategic plan, and (3) program performance reports.

Each agency's strategic plan must contain, among other elements, a comprehensive mission statement, general goals and objectives, and a description of how the goals and objectives are to be achieved.

The performance plans establish measurable goals and indicators to provide a basis for comparing actual program results with the established performance goals for each program activity set forth in the budget of the agency. No later than March 31, 2000, and no later than March 31 of each year thereafter, the head of each agency is required to prepare and submit to the President and the Congress a report on program performance for the previous fiscal year.

We are aware that the Congress seeks the active involvement of the Offices of Inspector General (OIGs) in fostering sound implementation of GPRA through audit work in each agency. Primarily, the OIGs have been requested to:

- Review agency efforts to develop and use performance measures for determining progress toward achieving the performance goals and program outcomes described in the agency's annual performance plans and performance reports under GPRA.
- Verify and validate selected data sources and information collection and accounting systems that support the agency's GPRA strategic and performance plans and its performance reports.

During recent years, the OIG has been performing selective reviews of GSA's performance measures as reported by the Office of the Chief Financial Officer (CFO) in the Agency's Annual Reports. Since FY 1994, we have made preliminary risk assessments of the internal controls over the data supporting ten performance measures.

GSA received low acceptance ratings from the Congress and General Accounting Office on its strategic plan and its performance plan for FY 1999. To assist the Agency with its efforts to implement GPRA, we have offered

*The OIG is actively involved in fostering sound implementation of GPRA through audit and consulting work within the Agency.*

our consulting services to Agency managers to assist them in whatever ways possible. Also, we benchmarked with three other Federal agencies, whose GPRA products had been better received by the Congress, to identify “best practices” that GSA could adopt. We reported, in June 1998, that the Agency could improve its implementation process by getting a higher degree of senior management involvement and more clearly articulating roles and responsibilities of the officials at all levels of the organization. We further reported, on March 31, 1999, that we believe that personnel have improved their understanding of the underlying fundamentals of GPRA and are now focusing on measuring their more important operations. The Agency has made significant improvements in its latest GPRA submissions.

Continuing our efforts in reviewing Agency progress with GPRA requirements, we plan to assess whether the data and systems supporting six selected performance measures (two in each of GSA’s major Services) exist and are accurate and complete to ensure reliable reporting.

### **Interagency Fleet Management System**

This period, we completed one of the selective performance measure reviews of a specific program, the Interagency Fleet Management System. We wanted to observe problems being faced by managers in implementing GPRA and see how well managers understood the Act’s requirements.

The GSA mission relating to motor vehicles is to “...provide for an economical and efficient system for transportation of Government personnel and property.” The current GSA FY 1999-2000 Annual Performance Plan identifies five performance measures relating to IFMS operations:

- savings per vehicle consolidated into IFMS;
- percentage of Federal fleet operated by IFMS (market share);
- rate of increase in per-mile charge compared to inflation rate;
- percentage of respondents giving a “highly satisfied” rating (customer satisfaction); and
- percent of requests filled (alternative fuel vehicles).

Our report noted that the consolidation and market penetration performance measures do not assess IFMS’s performance in terms of mission accomplishment. Rather, they are geared toward evaluating performance against the GSA strategic goals of promoting responsible asset management and competing effectively for the Federal market.

While we believe the rate of increase in per-mile charge is an appropriate measure, the performance goal to “Hold annual increase in per mile charges for interagency fleet vehicles close to the inflation rate,” is not adequate. IFMS would not be able to adequately evaluate its performance because it does not communicate a measurable result to be achieved.

Finally, the performance goals for the customer satisfaction and the alternative fuel vehicle measurements are based on the combined performance of the vehicle acquisition and leasing functions. We pointed out, however, that the performance baseline for the customer satisfaction performance measure was established using only the leasing function. The differences in service provided by the acquisition and leasing functions are so diverse that it may not be possible for a customer to make a proper distinction when answering survey questions.

One of the basic tenets of the Act’s legislation is for an agency to define its core missions and to provide to the President and Congress, through a systematic method of evaluation, an annual assessment of the success it has had in performing those missions. It appears that the IFMS has structured its performance measures around the GSA strategic goals and objectives, but it now needs to define program success in terms of accomplishing GSA’s mission.

Our report of March 31, 1999 suggests several methods for focusing the performance measures on the basic GSA mission. We also make suggestions to improve the implementation of several measures.

### **Internal Controls Over Performance Measures**

Also, we examined the overall design and operation of the internal controls over performance measures reported in the Agency’s FY 1998 Annual Report. In our report on overall internal controls, dated February 25, 1999, we concluded that there is no clear understanding of who is responsible for verifying performance data at the individual service level and for GSA overall. GSA has not adequately defined and documented its system of controls to ensure that appropriate levels of management understand and are performing the necessary reviews of performance data. This would enable managers to make an assertion of completeness and existence of the data and systems supporting the measures. In our judgement, this condition could adversely affect GSA’s ability to collect, process, record, and summarize performance information. We recommended that GSA establish a process to ensure that appropriate levels of management understand and are performing the necessary reviews of performance data, which would enable them to make an assertion of completeness and existence of the data and systems supporting the measures.

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## *Working with the Government Performance and Results Act*

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Finally, our reviews identify performance results and provide recommended improvements, and will continue to do so in the future. As part of our continuing focus on GPRA, we intend that, as an integral part of any program review, an appropriate inquiry will be made to identify and assess the program or activity's performance measures.

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## Procurement Activities

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*GSA is responsible for providing working space for almost 1 million Federal employees. GSA, therefore, acquires buildings and sites, constructs facilities, and leases space, and also contracts for repairs, alterations, maintenance, and protection of Government-controlled space. GSA also operates a Governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We review these procurements both on a preaward and postaward basis to ensure that the taxpayers' interests are protected.*

### Significant OIG Accomplishments

#### **Nearly \$5 Million in Civil Fraud Recoveries**

During this period, the Government entered into 2 settlement agreements in which companies agreed to pay a total of nearly \$5 million to resolve their potential civil liabilities under the False Claims Act. These agreements, negotiated by representatives of the Department of Justice and the GSA OIG, reflect the ongoing efforts of the OIG to pursue cases involving procurement fraud and other practices that threaten the integrity of the Government's procurement process.

Many of these cases involved procurements under GSA's Multiple Award Schedule (MAS) program. Under this program, GSA negotiates contracts with a number of vendors who may then sell contract authorized products to Federal agencies at established contract prices. Consistent with the provisions of the Truth in Negotiations Act and the Competition in Contracting Act, the process is based on the principles of full and open disclosure and fair negotiations. Vendors must provide current, accurate, and complete pricing information--including information about discounts granted their most favored commercial customers--during contract negotiations. Relying on this information, GSA contracting personnel then seek to obtain the best possible prices for the Government. In cases where vendors fail to provide current, accurate, or complete information, the Government may pay artificially inflated prices for products and services purchased. Highlights of these cases follow.

- In a settlement of a case brought under the *qui tam* provisions of the False Claims Act, Clark Equipment Company, a wholly-owned subsidiary of Ingersoll-Rand Company and supplier of construction equipment, agreed to pay \$3,000,000 to settle allegations that it failed to provide current, accurate, and complete information to GSA contracting officials when it negotiated two MAS contracts. These *qui tam* provisions allow individuals to bring suit, on behalf of themselves and the Federal Government, against contractors who submit false claims to the Government. The private citizen who initiated this action on behalf of the Government received \$550,000 of the settlement amount.

- Case Corporation, a supplier of road clearing and repair equipment, agreed to pay \$1,900,000 to settle the Government's claims that it over-billed Federal customers, failed to pass on price reductions, and did not provide current, accurate, or complete data to GSA contracting officials. The Government alleged that Case's actions caused Federal customers to pay more for products than they otherwise would have. The problems with the MAS contract were discovered in the course of a postaward audit.

### ***Individual Pleads Guilty to Theft and Fraudulent Use of Government Telephone Cards***

On February 9, 1999, an individual pled guilty in U.S. District Court to conspiracy and trafficking in stolen telephone access devices. Sentencing is scheduled for May 18, 1999.

The investigation was initiated when the New York Electronic Crimes Task Force alerted the OIG of the theft of phone card numbers, including Government phone cards. The investigation found that the theft of these numbers was accomplished by intercepting public telephone calls using a dial number recorder.

The individual used the stolen numbers to execute a call-sell operation. A call-sell operation is a form of illegal reselling of telephone service by using stolen calling card numbers for access to telephone networks. He used the three-way calling feature to connect the call-sell customer to a party in the foreign country or he provided the stolen number to co-conspirators in a foreign country, who then used the numbers to illegally obtain free long distance service from service providers like AT&T, MCI, and Sprint. The OIG is working with GSA Information Technology program managers to alert internal Agency and external Government phone card users of the existence of this fraud and to advise them of precautions that can be taken to prevent becoming a victim.

### ***Company President Sentenced in Fraud Scheme***

On March 22, 1999, the president of an automated data processing (ADP) services company was sentenced in U.S. District Court to 30 months incarceration, 36 months of probation, and ordered to pay a \$3,000 fine and \$1,254,000 in restitution for making false statements in connection with a GSA contract. Previously, on April 13, 1998, a former Navy employee pled guilty to making false statements in connection with the same GSA contract and his sentencing is scheduled for April 1999.

*Theft of Government phone card numbers was accomplished by intercepting public telephone calls. OIG works with Agency management to assist Government employees in avoiding victimization.*

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## ***Procurement Activities***

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The OIG investigation was initiated when the Naval Criminal Investigative Service provided information alleging that the company was inflating charges to the Government on a contract for ADP technical support services. The investigation found that the company overcharged the Government by including fictitious employees' names on summary reports and inflating the number of hours worked on Government tasks. The company president conspired with the former Navy employee from 1993 through 1997 to make false statements that resulted in the company being overpaid \$1,103,037.

### ***Two Office Supply Company Principals Sentenced for Impersonating Federal Officials***

Two principals of office supply companies were sentenced in U.S. District Court after pleading guilty to impersonating Federal officials. One principal was sentenced on March 19, 1999 to 2 years probation and ordered to pay a \$10,000 fine. The other individual was sentenced on February 26, 1999 to 3 years probation and ordered to pay a \$1,000 fine.

An OIG investigation was initiated when it was alleged that Xerox Corporation products were being sold at GSA-negotiated Government discount prices to a commercial office supply company that deceived Xerox into believing the sales were to Government agencies. The investigation determined that the two individuals conspired by impersonating various GSA, Internal Revenue Service, and Department of Defense officials while purchasing over \$800,000 in Xerox products at GSA Multiple Award Schedule prices. Since GSA prices are considerably lower than commercial prices, the scheme provided for substantial profits.

### ***GSA Contractor Pleads Guilty to Theft of Public Money***

On February 24, 1999, the owner of a consulting firm that contracted with GSA to provide assistance to small and minority firms on Government contracts pled guilty in U.S. District Court to theft of public money. Sentencing is scheduled for May 7, 1999.

The investigation was initiated upon receipt of information that the firm engaged in false and double billing of its clients, including GSA and city agencies. The investigation determined that the owner fraudulently billed clients for work not performed and multiple-billed clients for the same hours.

*Basic controls need to be exercised over small purchase bankcard transactions.*

### **Purchase Card Transactions**

GSA provides space and related services to Federal customers through its Customer Service Centers (CSC). Authorized CSC staff can procure supplies and services needed to carry out their official responsibilities using simplified acquisition procedures. Agency-issued purchase cards are the preferred means of purchase and are considered more time- and cost-effective. Although procedures are simplified, procurement officials are still required to comply with basic management controls mandated by GSA policy and guidelines.

In several recent reviews, we identified problems arising from a lack of management controls being exercised, particularly in the procurement arena. Procurement authority is commonly being delegated to employees who are neither experienced nor trained in procurement regulations. Accordingly, we performed a review of the management controls for CSC procurements.

In one region, we found that formal procurements were generally made in accordance with policy and guidance. However, our review concluded that improved controls were necessary in several areas. For example, controls need to be strengthened over small purchase bankcard transactions. Because of a reduction in staffing, key duties are not separated among individuals. In addition, the approving official does not monitor and verify card usage. Finally, cardholders are not performing monthly reconciliations of the card statements to the supporting documentation. Accordingly, the review pointed out that there is little to safeguard against potential misuse or waste, and no assurance that all procurements are valid to serve program needs.

In our December 31, 1998 report to the Regional Administrator, we recommended that:

- Approving officials monitor and verify all purchase card activities.
- Individual cardholders perform monthly reconciliations.

Responsive management action plans were provided for implementing the report recommendations.

### **Property Management Center**

GSA has the responsibility to provide fully serviced space to house Government agencies in Federally-owned and leased buildings. Property Management Centers (PMCs), located throughout the country, fulfill the needs and requests of Government agencies that occupy space in the

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## Procurement Activities

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*Building equipment may fail, causing costly repairs and inconvenienced tenants, if preventive maintenance services are delivered late.*

buildings. In general, PMC activities include procurement, asset management, and contract and lease administration.

We conducted reviews of PMCs to see if GSA is getting what it pays for, and to assess the economy and efficiency of PMC operations, and their compliance with laws, regulations, and policies. One such regional review performed this reporting period showed that procurements were prudent and made in accordance with established policy and controls. Federally-owned space was cleaned satisfactorily, and tenant agencies were satisfied with the services provided by GSA's janitorial contractors.

We concluded, however, that the building equipment could be exposed to premature failure, with resultant costly repairs and inconvenience to building occupants, because preventive maintenance that was being performed was not in accordance with GSA policy and practices. We also examined repair and alteration projects. While the PMC inspected the quality and quantity of construction services before authorizing payment, timeliness of delivery of these services needs improvement.

The March 23, 1999 report directed recommendations to the Regional management. These included recommendations to:

- Reassess and adjust, as necessary, the PMC's delivery and management of the preventive maintenance program for the buildings' equipment.
- Ensure that all janitorial contractors develop and implement a quality control plan.
- Provide better reimbursable construction services to tenant agencies by establishing and meeting delivery dates.

The Regional Administrator agreed with the recommendations in the report. The report is still in the resolution process.

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## Prevention Activities

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*In addition to detecting problems in GSA operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency.*

### **Significant Preaward and Other Audits**

The OIG's preaward audit program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward audits distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the Government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward audits of 49 contracts with an estimated value of \$4.7 billion. The audit reports contained over \$342 million in financial recommendations.

This period, five of the more significant Multiple Award Schedule (MAS) contracts we audited had projected Governmentwide sales totaling nearly \$3.7 billion. The audit findings recommended that \$319.7 million in funds be put to better use. The audits disclosed that four of the vendors offered prices which were not either (1) fair and reasonable considering the overall volume of sales made under the MAS contracts, or (2) comparable to the prices other customers receive from these vendors, or both. The fifth vendor could substantially reduce its rates for services performed for MAS customers if instead of its own employees the vendor used subcontractors to perform the services, which it already does when it contracts with other Federal agencies.

We also audited several claims for increased costs allegedly caused by the Government during the construction and renovation of Federal buildings. Two of the more significant audits contained proposed prices totaling \$4 million, and recommended adjustments of \$2.7 million. In an audit of a claim for increased costs due to a Government-directed acceleration of the construction, we advised the contracting officer that a subcontractor's claim should be adjusted to eliminate duplications and unallowable contingencies. In an audit of another claim for additional costs during a contract extension, we advised the contracting officer that several subcontractors' costs were overstated because they duplicated expenses that were previously reimbursed, and the subcontractors had substantially completed their portion of the work before the start of the time extension.

#### Disappointing Contracting Results

Contracting officials achieved only 5 percent of the recommended cost avoidances of \$212 million for MAS preaward audits closed during this reporting period. In the 3 years preceding this period, 56 percent of our recommended MAS cost avoidances of \$384 million were achieved. We are extremely concerned with the sharp decline in the sustained cost

### ***Federal Managers’ Financial Integrity Act Review***

avoidances and the significant departure from historical experience. We have brought this issue to the attention of Federal Supply Services’ senior procurement officials. They have pledged to work with us to review this matter in detail to determine the underlying causes and, where needed, to develop possible strategies for improving results.

The Federal Managers’ Financial Integrity Act (FMFIA), Section 2, requires GSA management to provide assurance to the President and the Congress that Agency resources are protected from fraud, waste, mismanagement, and misappropriation.

Each year, we review the Agency’s FMFIA process to assess its completeness in reporting weaknesses and deficiencies. This year, we advised management of one material weakness that we believe should be included in the Administrator’s assurance statement and a second issue of security for Agency computer systems.

The first issue is a material control weakness relating to the Federal Protective Service (FPS) program for upgrading security at Federal facilities. This program was started in response to a Department of Justice recommendation that Federal facilities be brought up to minimum standards through security upgrade countermeasures. We found that FPS did not establish adequate guidance in critical areas such as equipment procurement and installation, cost control, database control, and security countermeasure criteria. As a result, breakdowns at regional levels led to questionable practices. The completion status of many security countermeasures was misrepresented, other security equipment was unaccounted for, and program resources were not always wisely expended. The Commissioner of the Public Buildings Service appropriately reported this issue as a material weakness in his FMFIA letter.

The second issue concerns results from the GSA financial statement audit being conducted that indicate weaknesses in computer system controls over major GSA financial management systems. The Chief Financial Officer’s submission for the assurance statement, and the Office of the Chief Information Officer agreed this was a weakness and should be included as a non-conformance with the requirements of Office of Management and Budget (OMB) Circular A-130 covering computer systems security.

We also advised management of six instances of a weakening of controls over the validity of selected payments made by various GSA Services and Staff Offices. We do not believe these questionable payments rise to the level of a material control weakness, but are symptomatic of a lessening in management oversight and control which is a cause of concern.

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## ***Prevention Activities***

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### ***Integrity Awareness***

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse, and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

This period we presented 3 briefings attended by 58 regional employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies and slides, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. The briefings have in fact led to OIG investigations based on reports by GSA employees of suspected wrongdoing.

### ***Hotline***

The OIG Hotline provides an avenue for concerned employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings, as well as brochures, encourage employees to use the Hotline. During this reporting period, we received 1,551 Hotline calls and letters. Of these, 63 complaints warranted further GSA action, 5 warranted other Agency action, and 1,483 did not warrant action.

### ***Implementation Reviews***

The OIG performs, on a selective basis, independent reviews of implementation actions to ensure that management's corrective actions in response to OIG recommendations are being accomplished according to established milestones. This period, the OIG performed two implementation reviews. In both of these reviews, all of the recommendations had been implemented.

### ***Financial Statements Audit***

The Chief Financial Officers Act of 1990 requires the OIG to conduct or arrange for an annual audit of the GSA consolidated financial statements. The Act also requires a report on the GSA system of internal accounting controls and compliance with laws and regulations. This audit was performed, as in past years, by an independent public accounting firm (IPA), with oversight and guidance from the OIG. This year, however, there are two significant differences between the level of work that will be performed under this contract and the previous contract, held by another IPA. The new contract incorporates:

- OMB Bulletin 97-01, which prescribes the form and content for agency financial statements that are required to be submitted to the Director of OMB.

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## *Prevention Activities*

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- Audits of electronic data processing controls over the significant financial systems within GSA. These audits, which will take place over a 3-year cycle, will include tests of general and application controls using the General Accounting Office's Federal Information Systems Control Audit Methodology.

In the audit report dated February 25, 1999, GSA received unqualified opinions on its financial statements and on its system of internal accounting controls. The report on the internal control structure notes a condition where there is no clear understanding of who is responsible for verifying performance data at the individual service level and for GSA overall. GSA has not adequately defined and documented its system of controls to ensure that appropriate levels of management understand and are performing the necessary reviews of performance data to enable them to make an assertion of completeness and existence of the data and systems supporting performance measures. This condition could adversely affect GSA's ability to collect, process, record, and summarize performance information and report performance measures in accordance with management's criteria. Several conditions affecting other programs or operations were identified where steps should be taken to strengthen internal controls. None of these was considered material.

Also, the OIG completed a review of the program performance measures for one program. We pointed out that it appears that the program has structured its performance measures around GSA strategic goals and objectives, but it now needs to define program success in terms of accomplishing GSA's mission. We were able to suggest several methods for focusing the performance measures on the basic Agency mission. We also reported that GSA personnel have improved their understanding of the underlying fundamentals of the Government Performance and Results Act and are now focusing on measuring their more important operations.

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## Review of Legislation and Regulations

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*The Inspector General Act of 1978 requires the OIG to review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement.*

During this period, the OIG reviewed 113 legislative matters and 27 proposed regulations and directives. The OIG provided significant comments on the following legislative items:

- *Draft Executive Order No. 1 on IT Training.* We commented that we strongly favor initiatives that would develop and promote technical training opportunities for Federal employees generally. However, we noted that the executive order would impose on organizations additional GPRA reporting requirements relating to information technology (IT) training plans and expenditures. In this regard, we noted that agencies already report IT-related expenditures periodically in both agency IT 5-year reporting requirements and in submissions to the Office of Management and Budget pursuant to Circular A-11. Thus, we commented that the GPRA reporting requirements at section three of the proposed executive order might be unnecessarily duplicative.
- *H.R. 391, Small Business Paperwork Reduction Act.* We provided the Department of Justice, Civil Division, Commercial Litigation Branch, with a GSA-related narrative to support its comments to Congress on the provision of this bill, which mandates that civil penalties for first-time violations of information collection requirements by small businesses are waived. We explained that we had concerns about this provision's potential impact on the Government's ability to collect civil penalties under the civil False Claims Act for fraudulent pricing of GSA's Multiple Award Schedule contracts.

In addition, the OIG provided comments on the following proposed regulations:

- *EEOC Draft Final Rule - Federal Employee EEO Complaint Processing.* Our comments related to the portion of the proposed changes to the Equal Employment Opportunity complaint processing procedures that would permit the award of attorney's fees, for the informal counseling stage, to complainants who eventually prevail before the Equal Employment Opportunity Commission. We generally opposed the change on the grounds that it would make the informal counseling phase more formal, more adversarial, and less effective.

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## *Review of Legislation and Regulations*

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- *Proposed Changes to GSAR Examination of Records Clause.* We advised against amending the General Services Acquisition Regulation (GSAR) to eliminate the requirement that the GSA Examination of Records clause be included in contracts both with economic price adjustment (EPA) clauses and in indefinite delivery-indefinite quantity, requirements, or letter contracts. We noted generally that, given the current trend towards using a variety of innovative contracting vehicles, it would be ill-advised to eliminate wholesale these two categories of contracts from the reach of this audit authority, solely for the purpose of streamlining the GSAR. In addition, we commented that the terms of GSA contracts are generally getting longer and it is reasonable to expect that EPA clauses will be used increasingly in the future. In this context, we would be reluctant to eliminate audit coverage for all such contracts.
- *GSA Proposed Comprehensive Acquisition Planning Item #641.* We commented that, in order to waive the proposed rule's acquisition planning requirements for major acquisitions, i.e., those valued at \$50 million or more, the approval of the Office of Acquisition Policy should be required. The draft circular required the approval only of the relevant Head of Service or Staff Office. We felt that approvals at the higher level should be required to provide sufficient management controls of such significant acquisitions.

## Statistical Summary of OIG Accomplishments

### Audit Reports Issued

The OIG issued 91 audit reports. The 91 reports contained financial recommendations totaling \$347,482,649, including \$342,565,274 in recommendations that funds be put to better use and \$4,917,375 in questioned costs. Due to GSA's mission of negotiating contracts for Governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

### Management Decisions on Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 1999. Four reports more than 6-months old were awaiting management decisions as of March 31, 1999; all of them were preaward audits, issued before February 10, 1996, which are not subject to the 6-month management decision requirement. Table 1 does not include 2 reports issued to other agencies this period. Table 1 also does not include 22 reports excluded from the management decision process because they pertain to ongoing investigations.

**Table 1. Management Decisions on OIG Audits**

	No. of Reports	Reports with Financial Recommendations	Total Financial Recommendations
For which no management decision had been made as of 10/1/98			
Less than 6 months old	47	32	\$257,374,105
More than 6 months old	7	6	1,172,386
Reports issued this period	89	48	346,715,630
<b>TOTAL</b>	<b>143</b>	<b>86</b>	<b>\$605,262,121</b>
For which a management decision was made during the reporting period			
Issued prior periods	50	35	\$258,200,836
Issued current period	49	22	284,546,531
<b>TOTAL</b>	<b>99</b>	<b>57</b>	<b>\$542,747,367</b>
For which no management decision had been made as of 3/31/99			
Less than 6 months old	40	26	\$ 62,169,099
More than 6 months old	4	3	345,655
<b>TOTAL</b>	<b>44</b>	<b>29</b>	<b>\$ 62,514,754</b>

## Statistical Summary of OIG Accomplishments

### Management Decisions on Audit Reports with Financial Recommendations

Tables 2 and 3 present the audits identified in Table 1 as containing financial recommendations by category (funds to be put to better use or questioned costs).

**Table 2. Management Decisions on OIG Audits with Recommendations that Funds be Put to Better Use**

	<b>No. of Reports</b>	<b>Financial Recommendations</b>
For which no management decision had been made as of 10/1/98		
Less than 6 months old	21	\$250,038,864
More than 6 months old	6	1,172,386
Reports issued this period	40	341,798,255
<b>TOTAL</b>	<b>67</b>	<b>\$593,009,505</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management based on proposed		
•management action	—	\$337,564,735
•legislative action	—	—
Recommendations not agreed to by management	—	193,618,329
<b>TOTAL</b>	<b>39</b>	<b>\$531,183,064</b>
For which no management decision had been made as of 3/31/99		
Less than 6 months old	25	\$ 61,480,786
More than 6 months old	3	345,655
<b>TOTAL</b>	<b>28</b>	<b>\$ 61,826,441</b>

## Statistical Summary of OIG Accomplishments

**Table 3. Management Decisions on OIG Audits  
with Questioned Costs**

	No. of Reports	Questioned Costs
For which no management decision had been made as of 10/1/98		
Less than 6 months old	11	\$ 7,335,241
More than 6 months old	0	0
Reports issued this period	8	4,917,375
<b>TOTAL</b>	<b>19</b>	<b>\$12,252,616</b>
For which a management decision was made during the reporting period		
Disallowed costs	—	\$11,871,024
Costs not disallowed	—	0
<b>TOTAL</b>	<b>18</b>	<b>\$11,871,024*</b>
For which no management decision had been made as of 3/31/99		
Less than 6 months old	1	\$ 688,313
More than 6 months old	0	0
<b>TOTAL</b>	<b>1</b>	<b>\$ 688,313</b>

*\*Includes \$306,721 that management decided to seek that exceeded recommended amounts.*

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## Statistical Summary of OIG Accomplishments

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### ***Investigative Workload***

The OIG opened 53 investigative cases and closed 76 cases during this period. In addition, the OIG received and evaluated 78 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

### ***Referrals***

The OIG makes criminal referrals to the Department of Justice or other authorities for prosecutive consideration and civil referrals to the Civil Division of the Department of Justice or U.S. Attorneys for litigative consideration. The OIG also makes administrative referrals to GSA officials on certain cases disclosing wrongdoing on the part of GSA employees, contractors, or private individuals doing business with the Government.

**Table 4. Summary of OIG Referrals**

<b>Type of Referral</b>	<b>Cases</b>	<b>Subjects</b>
Criminal	23	43
Civil	8	13
Administrative	59	83
<b>TOTAL</b>	<b>90</b>	<b>139</b>

In addition, the OIG made 9 referrals to other Federal activities for further investigation or other action and 33 referrals to GSA officials for informational purposes only.

### ***Actions on OIG Referrals***

Based on these and prior referrals, 13 cases (27 subjects) were accepted for criminal prosecution and 4 cases (8 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 6 indictments/informations and 6 successful prosecutions. OIG civil referrals resulted in 4 cases being accepted for civil action and 4 case settlements. Based on OIG administrative referrals, management debarred 3 contractors, and took 8 personnel actions against employees.

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## Statistical Summary of OIG Accomplishments

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### Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, judgments, and restitutions payable to the U.S. Government as a result of criminal and civil actions arising from OIG referrals.

In addition, the OIG had administrative recoveries of \$2,210,901 during the course of its investigations, predominantly in investigative savings.

**Table 5. Criminal and Civil Recoveries**

	<b>Criminal</b>	<b>Civil</b>
Fines and Penalties	\$ 17,700	\$ —
Settlements and Judgments	—	5,238,328
Restitutions	1,814,948	—
<b>TOTAL</b>	<b>\$1,832,648</b>	<b>\$5,238,328</b>

# ***APPENDICES***

